

June 6, 2019

Dear Members of Congress:

As some states attempt to use “economic nexus” theories to expand their tax base, we, the undersigned organizations, **write in support of the Business Activity Tax Simplification Act (BATSA), H.R. 3063, introduced by Representative Bobby Scott and Representative Steve Chabot.**

States are adopting policies that force new tax liability onto those with a mere economic nexus standard that grants states nebulous authority to force out-of-state, nonresidents to comply with a state’s tax code other than their home state.

These efforts are sure to increase dramatically in light of the U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.* Because of the Court’s 1992 decision in *Quill Corp. v. North Dakota*, many states did not pursue business income tax collection on companies without physical presence. Now that there is a nexus for collecting taxes on remote sales, some states believe that there is also a nexus for states to collect business income.

Left unchecked, this unwarranted expansion of states’ power to impose business activity taxes on companies that do business across state lines will have a chilling effect on the entire economy through increased tax burdens and compliance costs.

BATSA would set a uniform standard for state assessment of income and similar taxes against non-resident companies. **Under the legislation, states would only be able to impose business activity taxes on companies that have a meaningful physical presence in that state.** A state could not impose business activity taxes on companies for merely soliciting sales there; rather, they could only levy these taxes on businesses that have employees or that own or lease property in that state.

BATSA would apply to all business activities taxes, which include corporate income taxes, gross receipts taxes, gross profits taxes and single business taxes.

Congress has well-established Constitutional authority to protect against destructive state tax laws. It should use this authority to shield citizens and companies from overreaching states’ attempts to tax out-of-state businesses.

Regards,

Grover G. Norquist
President
Americans for Tax Reform

Phil Kerpen
President
American Commitment

Steve Pociask
President & CEO
The American Consumer Institute
Center for Citizen Research

Lisa B. Nelson
CEO
ALEC Action

Norm Singleton
President
Campaign for Liberty

Ryan Ellis
President
Center for a Free Economy

Andrew F. Quinlan
President
Center for Freedom & Prosperity

Thomas A. Schatz
President
Council for Citizens
Against Government Waste

Katie McAuliffe
Executive Director
Digital Liberty

Adam Brandon
President
FreedomWorks

Tim Chapman
Executive Director
Heritage Action

Bartlett Cleland
Executive Director
Innovation Economy Alliance

Pete Sepp
President
National Taxpayer Union

Karen Kerrigan
President & CEO
Small Business & Entrepreneurship Council

David Williams
President
Taxpayer Protection Alliance